

CATAWBA COUNTY, NORTH CAROLINA
June 15, 2006

CATAWBA COUNTY BOARD OF COMMISSIONERS

Ladies and Gentlemen:

I hereby submit my approved Catawba County Fiscal Year 2006/07 budget in the amount of \$199,362,302. This is a 2.5% increase from the budget adopted June 6, 2005, mainly due to the addition of operating costs for the Newton Jail expansion. Without the additional jail costs, the approved budget represents a 1.7% increase.

Board of Commissioners' Goals

The budget addresses economic development efforts, strategic growth, and school construction needs addressed in the Board of Commissioners' goals for Fiscal Year 2006/07:

- Continue work to diversify the County's economic base and provide employment opportunities for citizens.
- Continue implementation of the FORESIGHT recommendations.
- Ensure that development and infrastructure support the County's strategic growth plan.
- Develop a finance plan for school construction over the next four-year period.

FORESIGHT

The strategic planning process known as FORESIGHT, an effort which originally began in 1985 to bring business, cultural, education, and government leaders in the County together to develop long range strategic planning goals, was reactivated by the Board of Commissioners in 2001. The goal was to develop strategies for Catawba County's long-term economic growth over the next ten to fifteen years. This budget continues to fund initiatives identified in the FORESIGHT strategic plan in the areas of education, jobs and business creation, and the environment.

FORESIGHT establishes strategies for the County's long-term economic growth.

FORESIGHT recommendations include several strategies that target improvement in education, most of which involve increased funding. A recommendation of the FORESIGHT Report was to improve the academic performance of all children by expanding health and dental care and improving the school nurse to student ratio. This has resulted in a partnership with Catawba Valley Medical Center and a grant from Duke Endowment to add thirteen new school nurse positions to serve Newton-Conover and Catawba County Schools (Hickory Schools already has nurses), bringing the total number of school nurses to 23. This total improves the ratio to 1 school nurse to approximately 1,000 students, much closer to the FORESIGHT goal of 1 school nurse to 750 students.

A major goal stated in the FORESIGHT report is to increase local teacher supplements to rank in the top 5% of North Carolina schools within 5 years. The budget includes continued funding for an additional 2% teacher supplement, bringing the possible total to 9%. A decision was made last year not to allocate funds for an across-the-board supplement, but to fund the increased supplement for approximately 70% of the teachers, based on either individual or school performance. This boost to supplements based on performance has been well received by the school systems' staff. Teachers who earn the 9% receive a supplement that is in the top 12% in the State. The County's goal is to increase this percentage in future years, as funds are available.

The current teacher supplement is in the top 12% of school systems in the State.

Funds are provided in the budget for several continuing efforts to improve the County's economic health:

- The County funds 52% of the Economic Development Corporation (EDC), which supports our current industrial base and works to recruit new industries in order to diversify our economic base and create high paying jobs. During 2005, the EDC successfully assisted with 16 business developments, creating 910 new jobs and \$56,900,000 in new investment. In addition to these jobs, prior years' involvement in economic development paid off during the year as a result of several large employers beginning production. Getrag and ZF Lemforder, major auto parts suppliers, and Flowers Foods, a large bakery operation, committed to creating over 650 jobs in Catawba County and are well on their way to achieving those commitments. The budget also reserves funds for future economic development.
- The County will continue to budget funds for advertising the Chamber of Commerce Visitor Information Center and includes increased funding for the Convention and Visitors Bureau.
- The County also provides marketing funds and emergency and law enforcement personnel to support the Greater Hickory Golf Classic, which is estimated to have an economic impact of about \$25 million on our County.
- The arts contribute to the County's quality of life. Funding continues for the Historical Association, Salt Block, Council for the Arts, and Newton-Conover Auditorium Authority.
- The budget funds the County's share (28%) of the debt payment on the expansion of the Hickory Metro and Convention Center, completed in 2005 in order to attract and host larger conventions and conferences in our area.
- Working with Future Forward, a regional economic development initiative, the County helped launch the North Carolina Center for Engineering Technologies, which will provide workforce development and specialized technical training in engineering and related fields. This is a cooperative venture, with \$1 million in Federal funding and contributions from the public and private sectors across the region.

On the environmental front, the County starts a second year of enforcing local sedimentation and erosion controls, a FORESIGHT strategy, to improve water quality.

We continue our commitment to improving air quality in Catawba County.

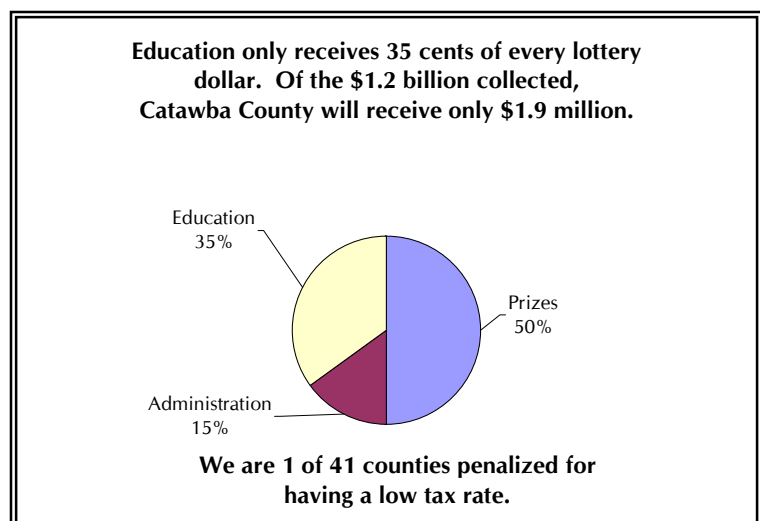
- The Hickory Metropolitan Statistical Area (MSA) was the first in the State to enter into an Early Action Compact with the State of North Carolina and the Environmental Protection Agency (EPA) to take steps in the areas of industry, transportation, and to encourage personal behavior in order to lower ozone levels in the area.
- The Board of Commissioners adopted an Energy Conservation Policy for Catawba County facilities.
- County government employees engage in an air quality awareness program that includes an ozone reduction contest.
- The budget includes funds to pay the County's share of air quality efforts, working regionally through the Western Piedmont Council of Governments (WPCOG).

Of greatest concern is the County's level of Particulate Matter (PM) 2.5, which is a complex mixture of extremely small particles and liquid droplets that can be emitted directly or formed in the air from gases. Particulate Matter is associated with health risks, can harm the environment, and is also the major source of haze that reduces visibility in many parts of the United States. While the EPA website lists air quality in Catawba County as good, the EPA's rating for PM 2.5 puts us at non-attainment status. For Catawba County, this could mean the potential loss of revenue from new businesses and consumers, as well as the potential loss of a significant number of jobs. In simple terms, the air quality concerns could result in less freedom for individuals and more restrictions on economic development in Catawba County. Therefore, the County continues to pursue regional solutions to our air quality concerns at the local, State, and Federal levels.

THE FINANCIAL PICTURE

Education Lottery – setting the record straight

The newly passed North Carolina Education Lottery will bring limited new revenue for the County's school construction needs. Only 35 cents of each dollar spent on lottery tickets will be used for educational purposes; 40% of this for construction and the balance for scholarships and reduced classroom sizes. Lottery money will be distributed by the State based on average student enrollment for each county. Counties with tax rates higher than the State average are eligible for additional funds.



Catawba County will not receive any of these funds because our tax rate is lower than the State average. The County is thus being penalized for being prudent with our spending and trying to maintain a tax rate that is as low as possible.

Proceeds from the lottery are estimated to total \$1.2 billion but, based on the distribution method, Catawba County will only receive \$1.9 million. The Catawba County school system's share is projected at \$1.3 million; Hickory's is \$.34 million; Newton-Conover's is \$.22 million. When you consider that the construction cost today for a new elementary school is approximately \$10 million, and it would take \$1 million each year to retire debt, it is evident that the lottery will not come close to meeting our current and future school construction needs.

In addition, the County now receives \$1.8 million from the State for construction, based on average daily membership. These funds replaced reimbursements that counties used to receive from the intangibles and inventory tax before they were abolished by the State. In past years, there have been proposals to delete these funds. If \$1.8 million is lost in State construction funds, then the lottery will not have gained the County any ground as a revenue source for needed school construction.

A menu of local revenue options continues to be a top priority in the Board of Commissioners' legislative agenda. Over the years, the General Assembly has granted to certain local governments authority for special fees and taxes on land transfers, meals, sales, occupancy tax, etc., but the authority has not been granted to all cities and counties. We are on record requesting that any local revenue options granted to a city or county by the General Assembly be extended to all local governments, rather than a select few. If local governments were given additional options to raise revenue, the property tax would not have to bear the burden of State mandates or the demand for increased services. A low property tax rate is good as long as we have other revenue options. For example, an additional half-cent sales tax would generate over \$6 million or almost 5 cents on the tax rate and would impact all consumers, including out of County visitors. A land transfer tax could generate as much as \$6.7 million, equal to over 5 cents on the property tax rate. A one-cent tax on prepared food and beverages would generate approximately \$1.9 million or about 1.46 cents on the tax rate.

A menu of local revenue options continues to be a top priority in the Board of Commissioners' legislative agenda.

Ensuring economic growth is an ongoing investment

There are signs that healthy economic growth is returning. Bank deposits in June 2005 were \$2.23 billion, ranking Catawba County 9th among North Carolina's 100 counties. Retail sales in the County grew 8.7% during Fiscal Year 2004/05, accounting for 61% of Metropolitan Statistical Area (MSA) regional sales. *Forbes Magazine* ranked the Hickory Metro among the top 3 Metro Areas in the nation to start a business (based on labor, energy, and tax costs) in its May 2006 issue following Albuquerque, New Mexico and Lexington, Kentucky.

To position ourselves, we continue to be proactive and look for positive ways to deal with the changing landscape in both our economic base and our growing and diverse population. A steady decline in textile and manufacturing jobs in our region over the past

The unemployment rate is at 4.7% - the lowest level since May 2001.

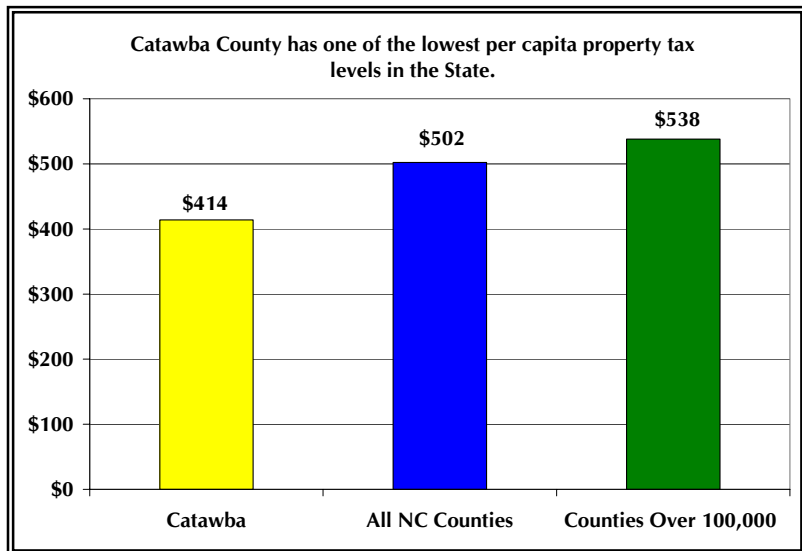
five years has forced leaders to look at creative ways to improve our economic development efforts in order to attract new businesses to replace lost jobs. At this time last year our unemployment rate was 6.1% but the latest numbers show it has decreased to 4.7%, the lowest level since May 2001.

According to recent 2005 data and projections for the next twenty years, Catawba County not only shows the strongest increase in the MSA population in sheer numbers, but also in across the board growth. The older population is expected to be the largest segment by 2030 (16,690 persons), with young workers in Catawba County predicted to be nearly equal in growth (14,727). As a County government, we must be prepared to take advantage of the opportunities this will present and meet the service demands of these growing segments of the population.

REVENUE HIGHLIGHTS

This budget continues the **property tax** rate of \$0.49 per \$100 valuation. This rate is the 12th lowest of all 100 counties in North Carolina and the 2nd lowest of all urban counties, those with a population over 100,000. The property tax is a stable source of revenue that grows as real property values appreciate. Along with fees for services, it remains the only source of revenue the Board of Commissioners can control to provide services.

For the last four years, we have been challenged by lower than average increases in the County's property tax base. We are also challenged by increasing operational costs, especially escalating prices for fuel, an essential commodity in the provision of many County services.



Before the recession that began in 2000, Catawba County had been able to count on an approximate 3 ½% increase in the property tax base each year, which provided revenue for ongoing departmental and school operating costs and, in some years, needed service expansions. The downturn in our local economy led to significant job losses in the textile,

telecommunication, and manufacturing sectors and brought an increase in the number of appeals of business personal property and lower increases in our property tax base. The growth in our tax base is projected to be 1% this year, which barely provides the revenue needed to keep up with necessary expenses for County services, particularly in the face of rising fuel prices. As a result, departments implemented measures to reduce operating costs and reduce fuel consumption by limiting travel when possible, encouraging carpooling to meetings/trainings, consolidating trips to transport clients, and replacing vehicles with hybrid models where feasible.

The revaluation of property is mandated by State law at least every eight years. The Board of Commissioners has decided to reappraise every four years in order to lessen the potential impact of higher values and avoid the loss of revenue from public utility appeals allowed under State law. We are in the final year of analyzing sales to set new property values effective January 1, 2007. Overall, the sale prices of property in Catawba County are exceeding current tax value set in 2003. Residential properties are averaging 11% more than tax value; commercial sales are averaging 5% more; and, industrial property is averaging 7% less than tax value, primarily due to reduced inventory. Since the County's tax base is approximately 70% residential and 19% commercial as opposed to only 11% industrial, the overall average annual value increase is about 2%. At this point, these trends indicate a net overall increase of just over 8% in property values, although final values will not be established until later this year.

Our **sales tax** revenue continues to be a bright spot in our limited revenue options. Catawba County is the hub of commercial/retail sales in the Greater Hickory Metro area, generating an average \$2.78 billion in retail sales annually of the total \$4.6 billion in the area. The Greater Hickory Metro area ranks 8th among the 14 metro areas in the State. Higher sales tax collections have helped to somewhat offset the slower growth in our property tax base and are a good indicator that our local economy is improving. Sales tax growth for Fiscal Year 2006/07 has been budgeted at 3%.

EXPENSE HIGHLIGHTS

Service improvements benefit the public

Included in the Fiscal Year 2006/07 budget are several service improvements that benefit citizens and provide better access to information including:

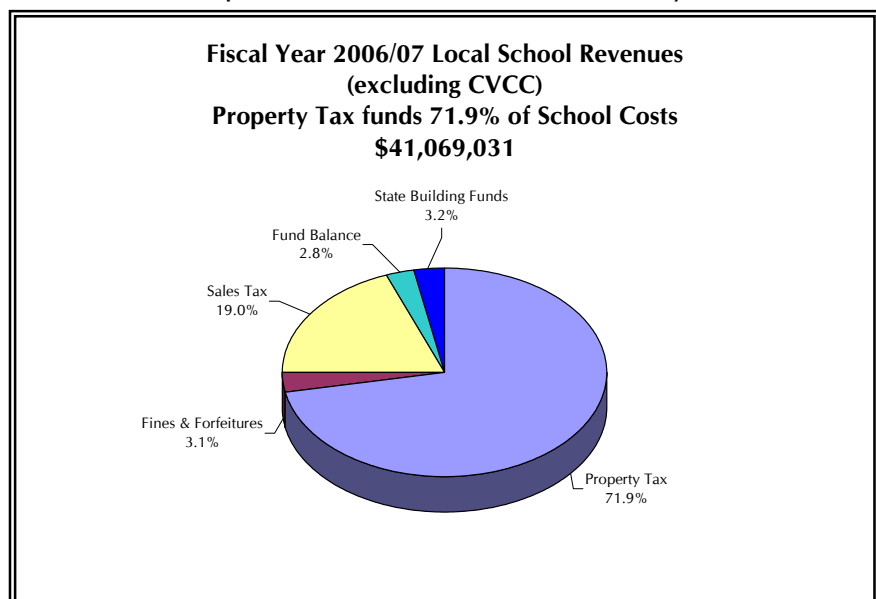
- Increasing the hours of operation of the Veterans' Office to 8:00 a.m. to 5:00 p.m. each day, improving accessibility and quality of services provided to veterans.
- Continued indexing and imaging of real estate records by the Register of Deeds Office to make them available online. By the end of the fiscal year, images will be available back to 1980. Making this information available online will be extremely useful to attorneys and paralegals performing real estate work, as well as the general public.
- The education of local businesses on the information needed by E-911 Telecommunicators to dispatch public safety services to correct locations. This includes conducting on-site training and informational sessions with work groups.

- Implementation of an Emergency Citizen Notification System to provide automated outgoing calls to citizens in the event of an emergency.
- Opening of a dog park at Riverbend Park. A special fenced area will be available for dog owners to allow their dogs to visit the park off leash for a one-year \$20 permit. The fee will help compensate for minor dog park maintenance. Citizens will still be allowed to bring their dogs on leashes to either Riverbend or Bakers Mountain parks without purchasing a permit.
- Color orthophotography from the most recent County flyover will be available online through the County's GIS website.
- Using technology to expand the number of reports and information which can be entered and transmitted through laptop computers, reducing unneeded trips to central offices for reporting and keeping public safety personnel, inspectors, home health nurses and others in the field serving citizens. Currently, Building Services field supervisors are using laptops with air cards that give them the ability to access files, schedule real-time inspections, and respond to citizen complaints. Deputies are testing laptops with air cards to email reports and access information such as maps, suspect photos, and other investigative information.
- Improvements to the County's website with particular emphasis on the quality and accessibility of information to citizens, including translation of the website into German, Spanish, and possibly other languages.
- Development of an e-mail newsletter for citizens leading to more information about County news and services.
- Free prescription drug discount cards have been made available to citizens under a program sponsored by the National Association of Counties (NACo) at the Government Center, Social Services, Public Health, and public libraries. The cards may be used by any County resident for prescriptions not covered by insurance to save an average of 22.5% per prescription, regardless of age, income, or existing health coverage and are accepted by all of the County's pharmacies.

Education

Education represents the largest portion of our local budget, with 45.7% of local revenues going toward the instructional costs and capital needs of our three school systems and the community college. The property tax funds 71.9% of the County's current expense and debt payments for the three school systems.

The economic recession during the first three years of 2000 slowed student enrollment growth in the three school systems. However, the numbers



once again appear to be on the increase. State certified enrollment numbers for the three school systems indicate that for the second year in a row there will be an increase of more than 300 pupils. The State's student numbers for next fiscal year show Catawba County schools increasing by 54 students, Newton Conover City Schools increasing by 137 students, and Hickory Public Schools increasing by 114 students.

Though funding current expense for school operations is a clear responsibility of the State, the General Assembly does not adequately fund the schools. To pay for local teaching positions, teacher supplements, utilities, and other operational expenses, the County provides supplemental dollars in the form of current expense funding on a per pupil basis. The County is required to fund each school system an equal amount per pupil. This budget funds each school system at the rate of \$1,230 per pupil. Although each school system is funded at the same amount per pupil, because of different enrollment increases, the systems will receive different percentage increases in current expense funding—Newton-Conover 8%, Hickory 6%, Catawba County 3%.

Included in this amount are funds for programs jointly operated by the three school systems—the Conover School for exceptional children, the ACT Program, Community Schools, Catawba Valley High School, and the school bus garage. The newest joint initiative is the early college program at CVCC, better known as Challenger High School. The purpose of the program is to give a “leg up” to students from poor and/or historically underrepresented populations so they are more likely to attend and eventually graduate from college. The program identifies students who probably *could* go to college but *would not* due to financial, family, cultural, or other factors, and works to eliminate those factors, allowing the students to attend high school and college simultaneously with accelerated academic help and support programs along the way. Students are from Catawba County, Newton-Conover, Hickory, and Alexander County Schools. The program currently has about 94 students and plans are to increase enrollment by 100 each year, with a goal of about 400 students. Plans are to continue the program on the CVCC campus. In order to support the cooperative Challenger High School program, and provide some additional current expense relief, per pupil funding for joint programs for Fiscal Year 2006/07 includes a \$7 increase toward each school system's share of the program.

Building Schools to Accommodate Growth

In Fiscal Year 2003/04, the Board of Commissioners showed leadership and foresight in an uncertain economy by establishing a 4-year plan to build needed schools. Taking advantage of low interest rates, the County borrowed money for critical school building needs through a financing option called Certificates of Participation (COPs) and set a property tax rate to repay the bonds. This financing has allowed the County to issue debt for the following projects that have been completed or are under construction:

- A new Grandview Middle School
- A new Maiden High School
- The conversion of Tuttle Middle School to an elementary school and Maiden High to a middle school

- A Learning Library and Technology Center at Catawba Valley Community College (CVCC)
- A new Catawba Elementary School

These projects addressed the immediate construction needs identified by the three school systems and Catawba Valley Community College.

In preparation for the next four year revaluation cycle, which begins with Fiscal Year 2007/08, the three school systems and Catawba Valley Community College will be reviewing and updating a new four year school construction and improvement plan for submission to the Board of Commissioners in the winter of Fiscal Year 2006/07. The property tax rate set on July 1, 2007, will fund needed school construction projects for the next four-year cycle.

School capital projects included in the budget and funded with local dollars and State ADM funds next year include:

- Catawba County Schools: the second and final year of funds for furnishing the new Maiden High School; computer and media equipment for Maiden High School, Maiden Middle School, Tuttle Elementary School, and Catawba Elementary; replacement of a chiller at Arndt Middle School; the purchase of three school buses; and various roofing projects.
- Hickory Public Schools: funds to complete renovations of the old American Legion Building at Hickory High School to be used for an auxiliary gym and field house; asbestos abatement and roofing repairs; and funds towards the replacement of the HVAC system at Jenkins Elementary.
- Newton-Conover City Schools: replacement of bleachers at the high school football field; upgrades to the HVAC system at Newton-Conover Middle School; asbestos abatement; removal of underground storage tanks; renovations to the press box at the high school; ADA improvements at Conover School; and replacement of an activity bus.

The Capital Outlay Budget also includes \$47 per pupil, a total allocation of \$1,164,472 for small capital and repair needs costing less than \$12,500. The individual school systems decide how these funds will be spent throughout the year. Technology is funded primarily through schools' current expense, but for several years the County has funded an additional \$10 per pupil in the Capital Outlay Budget.

Capital projects for Catawba Valley Community College include funds for the Turf Management program; renovations to the Newton Center building and the Student Services area; roof repairs; and general renovations.

We continue to fight for Medicaid relief through our legislative agenda

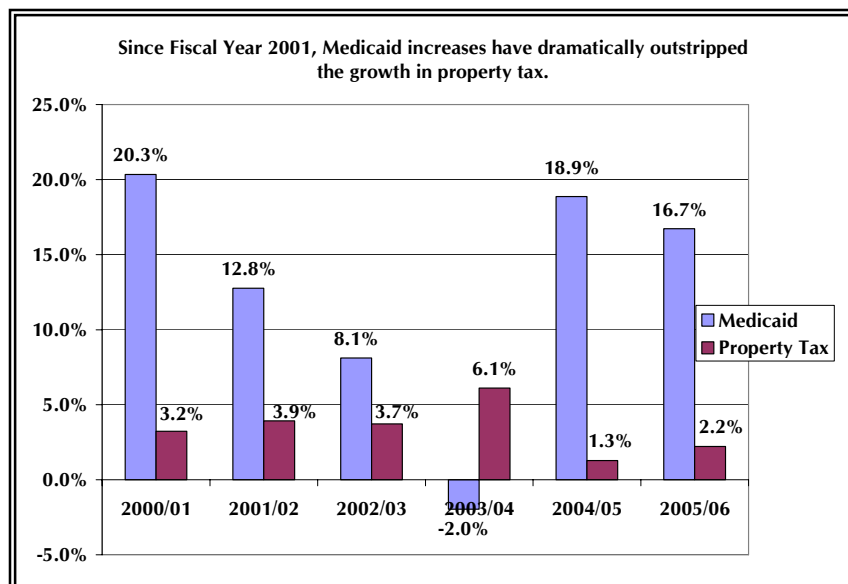
The Board of Commissioners' top legislative priority continues to be Medicaid relief. Medicaid, a health insurance program for low-income children, pregnant women, the

<p><i>Medicaid is the largest budget item after education.</i></p>

disabled, and the elderly, provides a valuable service that ensures the well-being of many of our citizens. In fact, the average Medicaid recipient in Catawba County is a white, female child in a single parent home.

However, the steadily rising cost of the program strains our ability to provide other vital services. North Carolina is the only state that requires counties to pay a significant portion of Medicaid costs even though counties have no latitude in the Medicaid program. This is significant for Catawba County since approximately 17% of the population is Medicaid eligible. We do not set Medicaid policy, eligibility criteria, service options or provider rates. Medicaid costs have been increasing an average of 10% a year while our main revenue source, our property tax base, has been increasing only 1%. In Fiscal Year 2006/07, the growth in our share of Medicaid cost will consume 42% of the growth in property tax revenue expected during the year.

Overall, in this budget, \$7,500,000 will be committed to Medicaid – 7% of our local revenues. This is a cost we cannot control and, therefore, Medicaid relief continues to be a top legislative priority. Presently there is a State proposal being discussed that would redirect proceeds from a local one-cent sales tax to the State in exchange for elimination of County Medicaid financial participation with local authority to enact an additional one-cent sales tax. Medicaid is one of the largest single budget items for most counties, the second largest in our County budget after education. If the State assumed the cost of Medicaid, the County would save over 5 ¾ cents on the tax rate, freeing up local dollars for local needs that are truly the responsibility of county government, such as public safety, school construction, human services, and library services.



Public Safety

Expanded Jail facility to open in April 2007

Through the County's agreement with Burke County for joint ownership of the Burke-Catawba District Confinement Facility (BCDCF) in Morganton, we have been able to meet our jail needs for the past twelve years without constructing new

We are housing prisoners at an average of 244 per day, in excess of our combined 168-bed capacity.

facilities. Increases in the number of prisoners caused by population growth and new sentencing laws have pushed the numbers way beyond current capacity at the Newton Jail (built in 1979) and the BCDCF, and trends indicate we will need 376 beds by 2025. We are housing prisoners at a combined average of 244 per day, in excess of our combined 168-bed capacity. We have been using more than our allotted share of beds at the BCDCF, which has meant greater expense to the County.

The Board of Commissioners received a report in 2003 that outlined the critical need to plan for and provide more jail space. In April 2004, the Board received a plan from architects to construct a 170-bed addition to the Newton jail at a cost of \$18 million, financed over 20 years, and bringing our total jail capacity to 338. The Board of Commissioners added a half-cent to the tax rate in Fiscal Year 2003/04 in order to begin expansion. This revenue was combined with \$3.1 million, which had been held in reserve for future Government Center expansion, to pay debt service on the Jail through the revaluation cycle. Starting July 1, 2007, 2 ½ additional cents will be needed to retire the construction debt and pay for operating costs.

Construction of the expansion to the current jail facility is scheduled for completion in December 2006. Once construction is finished, inspections will need to be completed before a Certificate of Occupancy can be issued, equipment moved in, and personnel hired and trained. The Certificate of Occupancy is anticipated by February 2007 with an opening date of April 2007.

The budget includes increased operating costs for the expanded jail facility including 49 new positions, which will be phased in beginning in January 2007. Of the new positions, 43 will be Detention Officers rather than sworn law enforcement officers, reducing salary and benefit costs. The expanded facility has over 3 times the square footage of the existing facility, including 3 additional control rooms that will be staffed 24 hours per day, 7 days per week. The layout of the facility will require more officers on the floor to facilitate inmate movement and physical cell checks. Due to security concerns, the Magistrates' Office will be moved into the main lobby of the Jail where visitors will be screened by walk-through metal detectors. The facility will have special holding areas for inmates under age 18 and those with medical or mental health issues. Visitation will be via video. The Jail has been designed so future pods can be added as more beds are needed and existing common support areas can be shared.

Due to the projected future bed space needs, the County will maintain its investment in the BCDCF. Unused beds in the BCDCF will be made available for rent to other local jurisdictions, the State, and Federal governments to help fund operating costs.

Jail Diversion Efforts

To maximize the long-term capacity of the expanded Jail, representatives of the criminal justice community, County government, and Mental Health Services have been meeting to identify opportunities for improvements. This group has developed several recommendations, which should help to alleviate problems identified in the system. Many of the recommendations amount to policy or procedural changes such as:

- Regular meetings between the District Attorney's Office, Judges, Sheriff's Department, and others as needed to review jail cases;
- Periodic reviews of inmates confined over 60 days on a pre-trial basis with notices sent to the District Attorney's Office and the inmates' attorney to ensure inmates are processed as quickly as possible;
- Development of a simple query to allow members of the criminal justice system to review current jail confinements so inmates with outstanding charges can be found and served sooner;
- Enhanced mental health services provided in the jail by Catawba Valley Behavioral Healthcare to include psychiatrist and nurse/physician assistant time;
- Funds to phase in an Electronic House Arrest (EHA) program targeted toward people confined for failure to pay child support or non-support. Last calendar year, 328 people were confined for a combined 15,078 bed days for non-support. While not all of these people could have been placed on EHA, many of them would have been eligible. While on EHA, medical costs are not borne by the taxpayer. Funds are included to hire one deputy to supervise up to ten EHA non-support clients per month. Policies to determine eligibility for EHA versus confinement will be established by a work group of judges, the Sheriff's Department, Social Services, and Pretrial Services. These eligibility policies will be used to determine the future need for additional officers and EHA capacity.

The goal of these efforts is to ensure that bed space is used in the most efficient and effective manner possible. Excess bed space will be marketed to the Federal government and other local governments until such time as it is needed locally.

Enhanced Emergency Medical Services

The Emergency Services budget includes the expansion of both emergency and non-emergency transport services. The County has entered into an agreement with Catawba Valley Medical Center (CVMC) to provide services to transport neonatal patients from 15 surrounding counties to CVMC. The County provides the ambulance unit and a basic level EMT position, and the hospital provides the three person medical team for the transport. The contract will pay for the cost of this position. This is similar to a service the County has provided for Frye Regional Medical Center for the past ten years.

The County currently has two Specialty Services units that handle non-emergency transports. The demand for these services has increased to such a level that our current two units are only able to handle about 70% of the call volume. This means that

By adding a unit for high call volume hours, the 8-minute response time can be maintained and perhaps reduced.

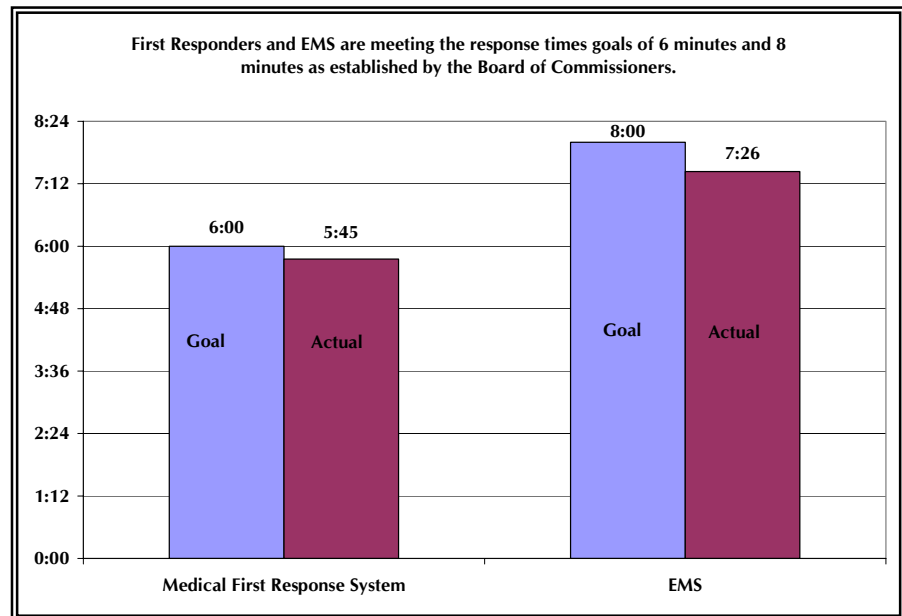
approximately 600 non-emergency calls each year are handled by emergency units, which can lead to increased response time for true emergency calls. The budget

includes the addition of two EMT paramedic level positions that will work a standard 40-hour week to meet the demand for this service. Increased fee revenues will pay for the two new positions.

The Board of Commissioners has a goal for Emergency Medical Services to maintain an 8-minute response time on all emergency calls throughout the County. The budget includes the addition of two EMT paramedic positions to meet the increased call volume in the Newton area, which has the second highest call volume in the County. The crew from Catawba frequently has to help with coverage in the Newton area, leaving Catawba without emergency coverage and increasing the response time to an average of 10 minutes in that area. By adding a unit that will work during high call volume times, the 8-minute response time can be maintained and perhaps reduced.

Rescue Squads Improve Services

The County contracts with Rescue Squads to provide medical first response, a vital service to citizens. The Countywide response goal is 6 minutes. Under a revised agreement, the County will increase funding to the Rescue Squads, and a long-range capital improvement plan will be developed. All squads will be manned at a minimum of light rescue to ensure their



ability to respond, and three squads will be equipped for heavy rescue. Squads have agreed that equipment and operating supplies will be purchased as a group, to ensure the best pricing. A multi-agency Urban Search and Rescue (USAR) team composed of fire, rescue, and EMS personnel will be established to handle specialty rescues such as rescues from trenches, building collapses, or swift water.

Four Fire Districts seek rate increases

Twelve of the sixteen fire districts will maintain their current tax rates for Fiscal Year 2006/07.

Four districts will have rate changes tied to service improvements and/or the addition of fire stations.

- Mountain View's 1-cent increase will help cover the utility and maintenance costs of a second station added in 2003 at Advent Crossroads and pay for equipment replacement.
- Conover Rural's 2-cent increase will help pay the debt on a new station that was added in 2005 as well as cover increased costs of staffing, equipment, and operations.

- Bandys' 1-cent increase will go toward an addition to their 30 year old fire station that can no longer house the number of trucks in the department's fleet, nor the size of newer equipment.
- Maiden's 1.9-cent increase will be used for capital needs and the replacement of the current fire station, which has structural limitations and limited space to house newer equipment. The City of Maiden will fund an equal amount toward the Fire Department's annual budget.

Planning for County development

Growth in the County brings many challenges as we work to ensure that the necessary infrastructure is in place, and we are able to fund education and deliver County services to accommodate a growing and changing population.

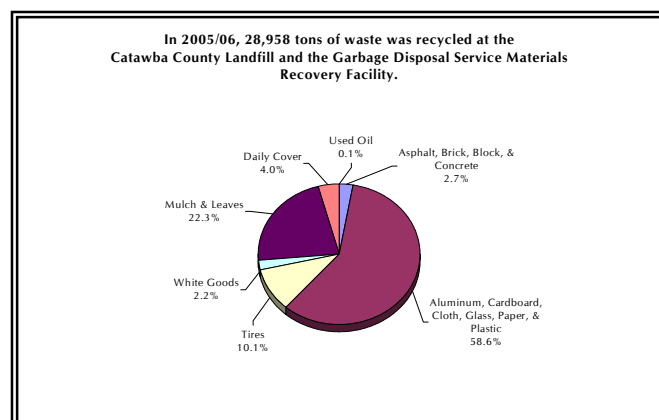
Funds are included in the budget for a study on the feasibility of imposing impact fees. Impact fees are charges imposed upon any new construction to pay for increased government services, based on the new development that will occur. Catawba County currently has legislative authority to impose a facility fee for "community service facilities" including: schools; water, sewer and drainage systems; sidewalks and thoroughfare rights-of-way; EMS facilities and fire stations; cultural facilities; and solid waste collection, handling, and disposal facilities.

The concept of small area planning was one of sixteen growth strategies resulting from Catawba County's long-range strategic growth plan developed in 1999. A total of seven committees were established, composed of interested citizens who lived or owned land in the small area planning regions along with a Planning Board member who served as liaison to the Board. Committees, during the process of developing plans, solicited input from citizens in the area about how they saw their community developing over a 10-20 year period.

Small area plan committees assessed their area's current quality of life and sustainability on issues such as traffic congestion, residential development patterns, water quality, library service levels, utility capacity, and school facilities. With the adoption of the last two small area plans in 2005, the emphasis has shifted in 2006 to the implementation phase, which includes the final writing and adoption of a Unified Development Ordinance (UDO). A draft is currently being discussed and reviewed publicly and will be presented to the Board of Commissioners for final consideration later this year.

Utilities and Engineering

Catawba County continues to be a leader with regard to recycling and educational outreach efforts to promote good stewardship of our natural resources. Recycling 17% of its waste, Catawba County ranks among the top 5 in the State, per capita, for recycled materials.



In Fiscal Year 2004/05, the County recycled 315 pounds of material per person, which is approximately three times the State average of 110 pounds. The budget continues to fund two Household Hazardous Waste events per year, held the first week in May at the Government Center and the first week in November at L.P. Frans Stadium in Hickory. These events provide an opportunity for citizens to dispose of residential household hazardous waste in an environmentally sound manner. The event held in November 2005 resulted in 531 vehicles representing 616 households dropping off 43,854 pounds of household waste such as aerosols, alkaline batteries, pesticides, paint and household cleaning products, and 27,094 pounds of electronic waste such as telephones, computers, fax machines, and televisions.

This year's budget includes funding to establish a local affiliated chapter of Keep America Beautiful (KAB). Keep America Beautiful, Inc. is the nation's largest volunteer-based, non-profit organization dedicated to litter and graffiti prevention, beautification, waste minimization, and community improvement. All funds for the County's local chapter will be generated through the fundraising efforts of the Litter Task Force, a group of dedicated volunteers and municipal staff whose goal is to "Keep Catawba County a Clean and Beautiful Place to Live and Work". The local chapter will be called Keep Catawba County Beautiful and will be certified in the fall. With litter as its main focus, Keep Catawba County Beautiful will enable interested citizens to have access to expansive programming opportunities and educational resources to address litter and other environmental issues as the organization progresses.

The budget continues to fund the preliminary design and development of the Regional Biosolids Processing Facility, now called the Eco-Complex. The Eco-Complex is designed to improve the ecology and economy of Catawba County through a public and private effort. The complex will promote economic development by bringing jobs in the green energy, agricultural, and environmental sectors. G & G Lumber was the first company to locate on site. A wood pallet manufacturing company has now announced plans to locate a \$2.5 million manufacturing facility adjacent to the Blackburn Landfill. This facility will create 35 new jobs within the first 36 months of operation. The wood by-products of this facility will serve as a source of green energy for other Eco-Complex entities. Eventually, the current biosolids processing (sludge composting) facility will be relocated to the County's Blackburn Landfill and use more efficient, state of the art, thermal drying equipment, while at the same time creating unique opportunities for synergies with other ongoing and developing landfill programs such as the gas-to-energy project and the development of a private-owned greenhouse.

Public Health, Mental Health, Social Services

Public Health's budget reflects an increase of 6% due to funding the first full year of thirteen new school nurse positions that were added during Fiscal Year 2005/06 as part of a FORESIGHT goal to improve student

Public Health provides 1 nurse for every 1,000 students in our three school systems.

academic performance. These positions are funded through a grant from Catawba Valley Medical Center and the Duke Endowment. Eleven of these positions will serve Catawba County Schools for a total of sixteen nurses and two will serve the Newton-Conover school system bringing the total for that system to three. There are currently four nurses working in the Hickory Public Schools. This brings the total to 23 school nurses in our three school systems, a ratio of 1 nurse for every 1,000 students.

A theme throughout the Public Health budget is the issue of uncompensated care, services to clients that are indigent and not covered by Medicaid or private pay insurance. In the

The 30% increase over the previous year in uncompensated care left \$1.4 million for Public Health to cover.

area of Maternal Health, Child Health, Women's Preventive Health, Adult Health, and Dental Health, the Public Health Department is mandated to provide

care to indigent clients. In Fiscal Year 2004/05, there was a 30% increase over the previous year in uncompensated care that, after taking out State funding, left \$1.4 million for Public Health to cover. In November 2005, in response to the growing cost of uncompensated care, Public Health began leaving vacated positions unfilled to help fund the deficit due to uncompensated care, mainly in Maternal Health and Women's Health programs; these 5.6 vacant positions are now approved for deletion. Factors contributing to the increase in uncompensated care include:

- Unemployment due to the closing of several businesses throughout the area in the past five years.
- Lower wages due to changes in employment status.
- Insurance no longer available or affordable through employers.
- A higher number of females between the ages of 11 to 18 being seen for Adult Preventive Services not covered under parent insurance due to confidentiality of services. This number increased from 591 in Fiscal Year 2001/02 to 1,038 in Fiscal Year 2005/06.

Since 61% of Public Health revenues come from fees and Medicaid, the focus for Fiscal Year 2006/07 will be on trying to maximize funds for programs through all revenue sources including private and State grants. Public Health will continue to carefully monitor expenses and positions throughout the fiscal year in order to cover the cost of mandated uncompensated care.

Mental Health continues to transition into its new role as a Local Managing Entity (LME) instead of a direct provider of Mental Health Services. The County funds 7% of Mental Health's budget, with the remainder coming from State and Federal funds. The Fiscal Year 2006/07 budget reflects the deletion of 19 positions as a result of on-going changes brought about by Mental Health Reform. The LME will no longer be responsible for utilization review of contract services. Currently the utilization review process, which insures that the intervention prescribed for a client is appropriate, is a function of the LME. This responsibility will now be contracted out statewide to a private company. The

Mental Health LME has also been divested of Community Alternative Programs (CAP) as part of ongoing Mental Health Reform.

This fiscal year will be another year of change in how we do business in the area of Mental Health services. The State plan for Mental Health is to go from the current 30 LMEs to 10 regional LMEs by 2007. Our Mental Health department has an outcome to have a merger plan in place by January 2007 to meet the State mandate. A Merger Steering Committee has been formed to come up with a plan that will ensure a smooth transition. This plan will be presented to the Board of Commissioners for implementation of a merger effective July 1, 2007.

Funds in this budget for Social Services reflect a 4% increase in County dollars due to public assistance, which includes Medicaid.

This year Social Services was designated by the State as an “Electing County” under the Temporary Assistance for Needy Families (TANF) program. As an electing county, Social Services was able to implement local policy changes outside the standard state TANF plan that allowed the County to move welfare savings from “cash assistance” to services. Catawba County was granted electing status in July 2005 and set a goal to have \$200,000 in TANF funds available for services. Because of the County’s innovative delivery of these services, this goal was exceeded as TANF recipients moved more quickly to higher levels of personal responsibility and economic self-sufficiency. The department’s projection for an end-of-year surplus is now \$355,000, which shows the benefits of Catawba County having electing county status.

Over 62% of County funding in the Social Services budget is for mandated services.

Social Services staff continue to search for ways to help low income families, even when there is no funding to do so. The success of Catawba Tax Link, a program in which volunteers provide free tax information to low income families, is an example of this commitment. In 2003, Social Services staff identified more than 2,700 Catawba County residents who were eligible for the earned income tax credit (EITC) but failed to file for it and found that low-income families more frequently used rapid file services, which may be costly. Tax Link began as a cooperative effort between staff at Social Services, Catawba Valley Community College, and Lenoir-Rhyne College. Services are available 3 days per week during tax season at the Job Link Center on the CVCC campus. During its second year of operation in 2005, volunteers assisted 221 families saving an average of \$150 per family and assisted in obtaining \$118,824 in EITC. The Tax Link was recognized by the North Carolina Association of County Commissioners as an Outstanding County Program and as a model program which other counties should consider using.

Personnel

The Sheriff’s Department will hire 43 detention officers for the new Jail facility, which is scheduled to open in the spring of 2007, as well as a Lieutenant, three Sergeants, two Deputy Sheriffs, and an Electronic House Arrest Officer. Emergency Services will add five

new Paramedics, and the Information Technology Department will add a Network Specialist to provide technical support for the new jail.

A total reduction of 24.6 FTEs comes as a result of Public Health abolishing 5.6 FTEs that were vacant as a result of redistributing work assignments, and a reduction of 19 FTEs in Mental Health as a result of the ongoing Mental Health Reform.

The budget includes a 1% cost of living adjustment to keep salaries competitive. Other salary adjustments will continue to be earned based on performance, as judged on employees' anniversary dates. For those who meet annual expectations, 1 ½% is budgeted; for those who exceed annual expectations 2% is budgeted.

Increased wellness efforts began in 2005 and are paying off. This effort continues into the next fiscal year. There will be no increases in health insurance premiums for employees and only a minor increase in dental insurance premiums. Annual physicals and participation in the County's health screening will be promoted in order to catch potential problems early.

As a result of bidding our property, workers compensation, and liability insurance, the County will save approximately \$450,000. We will carry higher deductibles, but our experience over the last years show that our insurance choices are prudent. Health insurance bids resulted in savings of approximately \$250,000 in administrative processing costs.

Conclusion

Our local economy certainly cannot be called robust, but our economic outlook is positive. This budget continues to implement the FORESIGHT strategies for long-term economic growth. It maintains the good initiatives we have undertaken in the past few years, while exploring continued improvement. It maintains current services vital to our citizens and continues the Board of Commissioners' commitment to provide for the basic health, welfare, and safety of the citizens as we move forward toward the opportunities that lie ahead of Catawba County.

This budget message, as well, as the complete budget document, may be accessed on the Internet at www.catawbacountync.gov or any of the public libraries in Catawba County.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Thomas Lundy". The signature is fluid and cursive, with a large, stylized "J" and "L".

J. Thomas Lundy
County Manager